



**MCI Telecommunications
Corporation**

1801 Pennsylvania Avenue, NW
Washington, DC 20006
202 887 2779
FAX 202 887 2204

Donald H. Sussman
Regulatory Analyst
Federal Law and Public Policy

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June 26, 1998

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

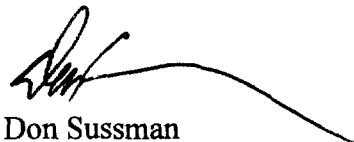
Ms. Magalie R. Salas
Secretary
Federal Communications Commission
Room 222
1919 M Street, N.W.
Washington, D.C. 20554

**Re: EX PARTE in Tariffs Implementing Access Charge Reform, CC Docket No.
97-250**

Dear Ms. Salas:

On February 24, 1998, MCI Telecommunications Corporation (MCI) filed an Emergency Petition for Prescription in the Matter of Tariffs Implementing Access Charge Reform, CC Docket No. 97-250. On February 26, 1998, the Commission placed the Emergency Petition on Public Notice. MCI Telecommunications Corporation Petition the Commission for Prescription of Tariffs Implementing Access Charge Reform, CC Docket No. 97-250, DA 98-385. MCI requests that the attached letter be incorporated into the record of the above-captioned proceeding.

Sincerely yours,



Don Sussman

Enclosure
DHS

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**MCI Telecommunications
Corporation**

1801 Pennsylvania Avenue, NW
Washington, DC 20006
202 887 2551
FAX 202 887 2676

Mary L. Brown
Senior Policy Counsel
Federal Law and Public Policy

June 26, 1998

Mr. James Schlichting
Deputy Chief, Common Carrier Bureau
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

**Re: EX PARTE in Tariffs Implementing Access Charge Reform, CC Docket No.
97-250**

Dear Mr. Schlichting:

On February 24, 1998, MCI Telecommunications Corporation (MCI) filed an Emergency Petition for Prescription in the Matter of Tariffs Implementing Access Charge Reform, CC Docket No. 97-250, which was placed on public notice February 26, 1998. MCI Telecommunications Corporation Petition the Commission for Prescription of Tariffs Implementing Access Charge Reform, CC Docket No. 97-250, DA 98-385. In that petition, MCI demonstrated that partial implementation of access reform placed long distance carriers (IXCs) in the position of having to recover new access costs represented by the presubscribed interexchange carrier charge (PICC) and incumbent local exchange carrier (ILEC) universal service fund (USF) flow throughs without the essential data needed to make certain that long distance carriers are collecting these fees in the most accurate way from their customer base.

For these reasons, MCI requested an immediate prescription of key rate levels, terms, and conditions. Among other items, MCI also requested that the Commission:

- Hold the ILECs responsible for collection of PICC until such time as they can provide all necessary information to IXCs in advance of billing;
- Prescribe a standardized, independently verifiable, definition of primary and non-primary;
- Require the ILECs to provide auditable line count information, by telephone number, immediately; and
- Standardize the date used by ILECs to decide which customers' PICCs are assigned to a particular IXC.

Additionally, MCI requested that, regardless of the determinations the Commission makes regarding the PICC, the Commission should require the ILECs to provide to each IXC the amount of USF pass through each IXC is receiving in its access bills every month. This will allow the IXCs to monitor and recover USF costs more efficiently and accurately. As MCI explained in its Emergency Petition, these are all items that, for the most part, the Commission itself has noted require resolution. With these key items prescribed in the tariffs and implemented, long distance carriers will be able to more quickly rationalize our rate structure to our customers and to prepare for the next round of increases in PICCs and USF.

To date, the Commission has acted on two of the concerns raised in MCI's Emergency Petition. On May 19, 1998, the Commission released an order clarifying that an IXC that has terminated service to a presubscribed customer for nonpayment or for any violation of any other term or condition in the IXC's tariff is not liable for PICCs with respect to such customer's lines, provided that the IXC has made a timely notification to the LEC that it has discontinued service to the customer. Also, on June 3, 1998, the Commission issued an order requiring price cap ILECs to include a "class of customer" indicator on Customer Account Record Exchange (CARE) transactions for new customer notifications.

While MCI appreciates the action taken by the Commission to resolve these issues, MCI's audit of ILEC PICC bills continue to reveal numerous issues. For example, MCI continues to find PICC bills that charge for CIC Codes that are not assigned to MCI, and for ANIs that are not presubscribed to MCI. Additionally, MCI's audit of PICC bills have found that ILECs continue to assess PICCs on duplicate ANIs. In fact, our audit has revealed an increased number of duplicate ANI PICC charges for several ILECs in April bills compared to earlier bills. This is a disturbing finding, considering that ILEC billing systems should, expectedly, improve rather than deteriorate over time.

MCI's audit of ILEC PICC bills is limited by the information, and the quality of the information, that the ILECs provide to MCI. For that reason, MCI has engaged an independent, third party auditor, at our expense, to review the ILECs' internal system and manual processes related to determining the PICC charges invoiced to MCI. While several ILECs have cooperatively worked with MCI in the initial stages of the audit, MCI is disappointed to report that SNET has refused to allow a third party, independent audit (see attached response from SNET, dated May 11, 1998). SNET is clearly in possession of information essential to an accurate assessment and verification of PICC charges that MCI does not have in the normal course of our business operation. In the absence of an audit, MCI can have no assurance that SNET's invoices are correct.

With respect to SNET, MCI's audit request derives from several concerns. First, the initial PICC invoices received from SNET contained substantial errors. For example, not only did SNET bill MCI six invalid Billing Account Numbers (BANs) in its last PICC invoice (PICC invoices that should have been sent to other carriers), but the PICC ANI level detail received by MCI did not match the USOC description in the summary for the correct PICC Class of Customer. This

resulted in nearly 30,000 "mis-categorized" lines. Additionally, in certain instances, for the Centrex line group rate the "term ID" for each ANI was not populated. Consequently, MCI was unable to determine which lines belonged to the same Centrex line group and could not verify if the billed amount was valid. SNET also did not provide to MCI the specific information required to determine how SNET identified the group numbers to verify their charges.

MCI is concerned that six months after access reform tariffs first became effective, MCI continues to receive insufficient and erroneous PICC information from SNET. Of equal concern is SNET's apparent dismissal of the large potential financial losses to MCI that result from SNET's inefficient and inaccurate PICC invoicing processes. SNET's inaccurate and insufficient PICC bills are the symptom of a flawed internal system and processes related to determining the PICC. SNET's failure to take advantage of an MCI-financed independent third party audit to improve its billing underscores the need for prompt and favorable action on the remainder of MCI's Emergency Petition. Such Commission action would either ensure that IXC's are provided the information necessary to recover their PICC costs, or would require ILECs to collect PICCs in the most economically efficient manner, directly from the end user.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Mary L. Brown", followed by a horizontal line.

Mary L. Brown

cc: Jane Jackson
Richard Lerner
Ken Moran
Ken Ackerman

Enclosure
MLB



**MCI Telecommunications
Corporation**

1801 Pennsylvania Avenue, NW
11th Floor
Washington, DC 20006
202 887 2300
FAX 202 887 2379
Internet: 0001971217@mcimail.com

Nate Davis
Sr. Vice President
Finance

April 28, 1998

Mr. Fred T. Page
President, Network Services
SNET
84 Deerfield Lane 2B2
Meriden, Connecticut 06450

Dear Mr. Page:

MCI requests the opportunity to obtain an independent audit of the Primary Interexchange Carrier Charges ("PICC") assessed by SNET against MCI Telecommunications Corporation ("MCI"). As discussed in greater detail below, MCI intends to retain an independent firm to conduct an audit of these charges beginning on or about May 15, 1998.

MCI's proposed audit would review SNET's internal system and manual processes related to determining the PICC charges invoiced to MCI.

MCI's audit request derives from several concerns. First, based on the PICC invoices MCI has received for the months of January and February, it appears highly likely that MCI will incur in excess of \$300 million in total PICC charges during calendar year 1998. The size of this projected amount, by itself, compels an independent audit to ensure accuracy.

Second, SNET is clearly in possession of information essential to an accurate assessment and verification of PICC charges that MCI does not have in the normal course of our business operation. In the absence of an audit, MCI can have no assurance that your invoices are correct.

More importantly, the initial PICC invoices we have received from SNET appear to be rife with errors, inaccuracies and unexplained assumptions. In many cases, these invoices have been delivered in a manner that prevents or hampers MCI from conducting its own reasonable internal audit reviews of the charges.



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The problems MCI has experienced include:

- Submitted invoice formats are inconsistent and incomplete, and in some cases permit only manual review by failing to comply with industry standard or Bellcore formats.
- ANIs being billed the incorrect class of customer (for example, Centrex lines billing as Multiline Business).
- ANI detail includes duplicate ANIs.
- SNET's extractions of line counts have occurred on multiple days within a month.
- The absence of accurate primary vs. non-primary line designations (for example, some invoices use the same ANI for both a first and second line).
- Submitted invoices include substantial charges for former MCI customers.
- Submitted invoices include billings for customers with non-MCI CIC codes.

MCI has pointed out many of these problems to SNET, and appreciates any additional information that may have been sent in response. However, even in light of any additional information, based upon these errors, MCI believes it is being overcharged a substantial amount, and may be entitled to both retroactive adjustments and changes in SNET's procedures to ensure that any invoices directed to MCI are accurate. The audit would help clarify and resolve any issues in this regard.

MCI's right to such an audit is recognized in the FCC's Second Order on Reconsideration and Memorandum Opinion and Order, 12 FCC Rcd 16,606 (1997) at para 16, which requires ILECs to provide IXCs with customer-specific information about the number and type(s) of PICCs they are assessing for each of the IXC's presubscribed customers. In that Order, the FCC said:

If an IXC were to receive a bill for the aggregate amount of the PICCs assessed on its presubscribed lines and did not have access to information that indicates for which lines the LEC is assessing a primary or nonprimary residential PICC, the IXC would be unable to develop residential rates that accurately reflect the underlying costs of providing service over those lines.

MCI is requesting that this audit be conducted at SNET's facilities that support PICC invoicing functions. MCI would propose to retain, at our expense, an independent auditor to perform the audit. We suggest an initial meeting during the week of May 11, 1998 to discuss the scope of the audit, agree on the documentation and records required, and discuss logistics.



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Please contact me if you have any question regarding this request. Because of the significant importance and urgency of this matter, I would appreciate your prompt reply on or before May 8, 1998.

Sincerely,

Nate Davis

✓ cc: Michael Phelan, VP Network Marketing & Sales
Don Lynch, SVP Financial Operations & Accounting
Dennis Kern, VP Eastern Region Financial Operations

The following responds to some of the general statements that you made in your April 28th letter:

- *"Submitted invoice formats are inconsistent and incomplete, and in some cases permit only manual review by failing to comply with industry standard or Bellcore formats."*

As indicated, SNET's PICC bills follow the industry standard defined in the CABS BOS Version 30 Summary, as documented in our November 24, 1997 implementation letter to the industry. If specific examples are provided to SNET, any issues can be addressed.

- *"ANIs being billed the incorrect class of customer (for example, Centrex lines billing as Multiline Business)."*

While certain ANIs in the first bill cycle did contain an inappropriate PICC indicator on the PICC Detail (30-XX-XX) records, charges billed for those ANIs were correct. SNET reran and retransmitted this backup PICC Telephone Number Detail Report to MCI.

- *"SNET's extractions of line counts have occurred on multiple days within a month."*

SNET extracts line counts only once for each calendar month, on the last day of the month. Due to a system anomaly which impacted the first January 31st extraction, SNET re-extracted January's data on February 2nd. All subsequent line count extractions have taken place on the last day of the month.

- *"Submitted invoices include substantial billing for former MCI customers."*

Only those end users with MCI PICs, at the time of PIC extraction, are billed to MCI. This is consistent with the FCC's *First Report and Order* which states, "[t]o avoid any potential administrative difficulties resulting from customers leaving their presubscribed IXCs in the middle of a billing cycle, we will permit LECs to assess the full PICC at the beginning of each billing cycle."

- *"Submitted PICC invoices include billings for customers with non-MCI CIC codes."*

SNET's invoices have included PICC billing for customers with non-MCI CIC codes, i.e., interexchange carrier reseller traffic. While this is consistent with the access bills that are rendered to MCI for reseller traffic, SNET will remove these PICC charges as requested by MCI on its June invoices, retroactive to January 1st.

- *"The absence of accurate primary vs. non-primary line designations (for example, some invoices use the same ANI for both a first and second line)" and "ANI detail includes duplicate ANIs."*

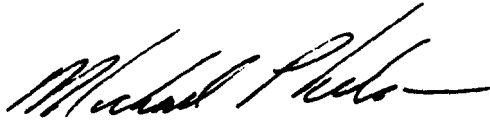
SNET is unaware of any inaccurate primary vs. non-primary line designations or duplicate ANIs. MCI is requested to submit any and all specific examples for appropriate review.

Mr. Nate Davis
May 11, 1998
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Implementation of the *Access Charge Reform Order*, especially the provisions regarding the PICC, was a very significant undertaking on the part of the entire telecommunications industry. We remain available to work cooperatively with you, through our normal billing reconciliation process, to address any inconsistencies and answer questions relative to SNET's PICC extraction and billing processes.

If you'd like to discuss this further, please feel free to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Phelps", followed by a horizontal line.